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EFIN: Andalucian cajas merge without use of public funds; may signal beginning of larger merger movement
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Economy Minister Announces Increased Funding for Autonomous Regions

11. (U) The Minister of Economy and Finance announced 11 billion Euros of new financing for Spain,s autonomous regions. Under the plan, Catalonia will receive the largest share, at 3.9 billion Euros, followed by Andalucia at 3.1 billion, Madrid at 1.7 billion, and Valencia at 1.2 billion. The controversial plan provides funding through 2012 for essential public services such as health, education and social services. This plan was preliminarily approved by the autonomous communities, and Congressional approval followed on July 15, but the new financing model must still be ratified by the communities if they want to receive the funds. ALL MEDIA, EMBASSY)

Andalucian Cajas Merge Without Use of Public Funds

12. (U) Unicaja and Caja de Jaen, Andalucia,s largest and smallest regional savings banks ("cajas8), announced that they would merge without the use of public funds, which has been viewed by some as a rejection of Zapatero,s bank restructuring fund (FROB). Following the merger, the caja will have 32 billion Euros in assets and over 6000 employees. Caja de Jaen struggled to remain independent, but was forced to accept a merger because, as their directors stated, this is &the worst time for the cajas in the last 30 years.8 The Bank of Spain has been pushing many of the regional cajas to merge in order to ensure their solvency, fueling speculation that this may be just the beginning of a merger movement among the cajas. (Comment: Many cajas that had previously balked at the idea of mergers may have to reconsider their positions, as their solvency has been threatened by losses in the real estate and construction industries. The cajas prefer to merge with other cajas in their same region because it is easier for them to consolidate and gain market share. End comment.)(El Pais 7/14).

Spain Seeing Large Reduction in Airport Users

13. (U) AENA, the state-owned airport operator responsible for all Spain's domestic and international airports, recorded a

13 percent reduction in airport users during the first six months of 2009. This is much larger than the 3.5 percent reduction in passengers that Spain suffered in the first half of 2002, after the 9/11 attacks. All Spanish airlines, such as Spanair, Iberia, and Air Europa, have recorded sharp declines in number of passengers during the first part of 2009. One reason for the decline in air travel is that a significant portion of travelers are choosing to use the AVE, Spain's high-speed train, which connects Madrid to Barcelona, Sevilla, and Malaga, with more routes being developed. (EL PAIS)

Foreign Direct Investment in Spain Increases in 2008, but Fewer Jobs Created

14. (U) Foreign direct investment (FDI) in Spain rose 0.4 percent in 2008 over the previous year, a sharp contrast to the 36.9 percent decline in FDI experienced by the EU. Spain received almost 38 billion euros in FDI in 2008, with the heaviest investment coming from the UK and Germany. Spain now ranks as the fourth largest recipient of FDI in Europe, and the seventh largest in the world. Spanish investment in foreign markets, however, has fallen 64.6 percent since 2007. Despite the uptick in investment in Spain, jobs created as a result of FDI fell 31 percent in 2008. Ernst and Young reported that new investment projects declined 8 percent in the first quarter of 2009 compared to the same period in 2008, and expects FDI to decline substantially over the rest of the year. (La Gaceta 7/16).
CHACON